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1970

WESTEEL-ROSCO LIMITED

annual report


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WESTEEL-ROSCO LIMITED

BOARD OF DIRECTORS

P.F. Fowle — Toronto
Chairman of the Board, Westeel-Rosco Limited

N.J. Alexander — Winnipeg
Managing Partner, Richardson Securities of Canada

E.C. Bovey — Toronto
President and Chief Executive Officer, Northern and Central Gas Corporation Limited; President and Director, Le Gaz Provincial du Nord de Quebec Ltee.

M.A. Buell — Toronto

R.M. Calhoun — Toronto
President, Westeel-Rosco Limited

P.H. Fox — Richmond Va.
Executive Vice-President, Reynolds International Inc.

W.S. Martin, Q.C. — Winnipeg
Partner, Aikins, MacAulay & Company

A. Piché — Cap-de-la-Madeleine
Executive Vice-President and Managing Director, Reynolds Aluminum Company of Canada Ltd.

J.L. Reynolds — Richmond, Va.
Chairman and Chief Executive Officer, Reynolds International Inc.

A. Robertson — Winnipeg
President and General Manager, The Winnipeg Supply & Fuel Co. Ltd.

The illustration to the left shows how the Agri-Systems Division modified its versatile system to meet a local need and, at the same time, utilize existing, non-system equipment and facilities.

WESTEEL-ROSCO LIMITED

OFFICERS

Chairman of the Board	P.F. Fowle
President	R.M. Calhoun
Vice-President	P.F. Davidson
Vice-President	W.D. Dertell
Vice-President	H. Dutton
Vice-President	A.H. Mack
Vice-President, Manufacturing	W.E. Thompson
Controller	D.J. Cobban
Secretary-Treasurer	J.W.Ross Caldwell

SUBSIDIARIES

Canada Culvert Co. Limited
Columbia Metal Rolling Mills Limited
P. Graham Bell Associates Limited
Westeel-Rosco Erectors Limited
Prairie Metal Products Limited
Northland Machinery Supply Co. Limited
National Aluminum Products Co. Limited
Stran-Steel (Canada) Limited

TRANSFER AGENTS AND REGISTRAR

National Trust Company Limited
Montreal, Toronto, Winnipeg, Regina,
Calgary, Vancouver

BANKERS

The Toronto-Dominion Bank

AUDITORS

Clarkson, Gordon & Co.

COUNSEL

Blake, Cassels & Graydon

FINANCIAL HIGHLIGHTS OF THE YEAR 1970

	1970	1969
SALES	$69,958,000	$72,469,000
EARNINGS (LOSS)	(36,000)	970,000
per share	(.07)	2.00
DIVIDENDS paid to shareholders	290,000	290,000
per share	.60	.60
SHAREHOLDERS' INVESTMENT at year end	13,854,000	14,180,000
per share	28.61	29.28
CAPITAL EXPENDITURES	702,000	1,330,000
DEPRECIATION	842,000	892,000
WORKING CAPITAL	10,324,000	10,720,000

DIRECTORS' REPORT TO THE SHAREHOLDERS

The audited consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 1970 are submitted herewith.

Sales for 1970 were $70,000,000 and the net loss after allowing for income tax recoveries was $36,000. This compares with 1969 sales of $72,500,000 and a profit of $970,000.

Unexpected and severe losses in the Stran-Steel division and in Northland Machinery Supply Co. Ltd. more than offset the profits earned in the last half of 1970 by the Company's other divisions and subsidiaries. Stran-Steel's lack of experience in off-shore operations was mainly responsible for its disappointing results. The management in both these areas has been changed and strengthened and all facets of their operation are being reviewed.

It was also considered advisable to make inventory adjustments and to increase our allowance for bad debts.

Sales

Consolidated sales of the Company decreased by 3%. The entire decrease was in the Prairie Provinces and in Northern Ontario. All other areas exceeded their 1969 sales.

Building Products

The upward trend of this product line continued, with sales increasing 10%. Profitability was maintained. Our Flexcon Division, which is allied to Building Products, performed well and achieved its objectives.

Agri-Products

Sales of farm products were down 15% from the previous year. This decline was entirely in Western Canada and was not unexpected as there was a slackening in the general economy of the Prairies in 1970.

Highway and Drainage

Selective selling resulted in a volume decline of 12%, with no material reduction in the profit contribution of this product line.

Warehouse Products

Sales volume was down somewhat from record sales of 1969, when strikes in two of Canada's steel mills that year resulted in greatly increased demand. Profit margins improved.

P. G. Bell Associates

Our porcelain enamelling subsidiary showed a continued increase in both sales and profits. The 1971 forecast predicts another solid performance.

Prairie Metal Products

During the year Prairie Metal Products' operating scope was widened to embrace the parent company's highway and drainage operations in Saskatchewan. This consolidation was highly successful and resulted in increased sales and profit.

Cubic Storage Systems

Sales of this division rose sharply during the year but increased operating costs and severe marketing competition combined to apply pressure on profits. Operating economies have been effected to adjust to changing conditions.

Northland Machinery

Northland's unsatisfactory performance in 1970 demanded urgent attention to both personnel and its field of operation. We are in the process of closing out facilities that have proven to be unprofitable and are disposing of product lines that we are now satisfied can no longer show a proper return. During 1971 sales volume will be reduced but we expect a return to a profitable position.

Stran-Steel

As noted earlier, this division incurred severe losses in 1970 which were largely attributable to its off-shore operation. In 1969 the Company, with the co-operation of the Canadian Government, accepted contracts in the Caribbean to supply and, in some instances, erect 68 pre-engineered school buildings. During 1970 a series of technical problems, delays and unfamiliar working conditions resulted in costs much beyond expectations. In the fourth quarter it was decided to provide for all contingencies surrounding these contracts.

Capital Expenditures

Capital expenditures were $702,000 during 1970 after a rather heavy program the previous year. Major items were $201,000 to complete the Vancouver and Saskatoon building programs and $92,000 for paving and roadways, mostly at Toronto and Edmonton. In 1971 capital expenditures are expected to be minimal and no major projects are scheduled.

Personnel

Mr. J.W. Ross Caldwell joined the Company in November as Secretary-Treasurer.

We wish to record our appreciation to the many people in our employ across Canada for their effort and support during a difficult year.

Outlook

Management has taken and is continuing to take aggressive steps to correct conditions that contributed to the poor results in 1970. We anticipate profitable operations in 1971.

Submitted on behalf of the Board.

P.F. FOWLE,
Chairman of the Board
R.M. CALHOUN,
President

Toronto, March 18, 1971

WESTEEL-ROSCO LIMITED

(Incorporated under the laws of Canada)

Consolidated Balance Sheet

December 31, 1970
(with comparative figures for the year 1969)

ASSETS

	1970	1969
Current:		
Accounts receivable less allowance for doubtful accounts	$18,001,000	$20,041,000
Inventories — valued at the lower of cost or net realizable value	13,837,000	12,815,000
Prepaid expenses	174,000	275,000
Total current assets	32,012,000	33,131,000
Other:		
Mortgages receivable	1,001,000	972,000
Fixed — at cost:		
Land	858,000	915,000
Buildings	8,144,000	7,957,000
Machinery and equipment	10,195,000	10,123,000
	19,197,000	18,995,000
Less accumulated depreciation	11,729,000	11,243,000
Total fixed assets	7,468,000	7,752,000
Total assets	$40,481,000	$41,855,000

LIABILITIES AND SHAREHOLDERS' EQUITY

	1970	1969
Current:		
Bank borrowings (note 1)	$12,429,000	$13,550,000
Accounts payable and accrued charges	7,218,000	6,427,000
Income and other taxes payable	230,000	345,000
Deferred income taxes — current portion	1,609,000	1,873,000
Current instalments on long-term debt, and accrued interest	202,000	216,000
Total current liabilities	21,688,000	22,411,000
Long-term debt (net of current instalments) (note 2)	4,698,000	4,894,000
Deferred income taxes — non current portion	241,000	370,000
Shareholders' equity:		
Capital (note 3)		
Authorized: 2,000,000 common shares without par value		
Issued: 484,204 common shares	1,569,000	1,569,000
Contributed surplus	500,000	500,000
Retained earnings (note 2)	11,785,000	12,111,000
Total shareholders' equity	13,854,000	14,180,000
Total liabilities and shareholders' equity	$40,481,000	$41,855,000

On behalf of the Board: P.F. FOWLE, Director
R.M. CALHOUN, Director

For notes to the Consolidated Statements see page 9

WESTEEL-ROSCO LIMITED

Consolidated Statement of Income

Year ended December 31, 1970

(with comparative figures for the year 1969)

	1970	1969
Sales	$69,958,000	$72,469,000
Cost of sales, selling, administrative and financial expenses before the following:–	68,844,000	69,584,000
Depreciation	842,000	892,000
Interest on long-term debt	355,000	372,000
Income taxes (recoverable)	(47,000)	860,000
	69,994,000	71,708,000
Net operating profit (loss)	(36,000)	761,000
Extraordinary items (net of the related income taxes):		
Profit on sale of fixed assets		419,000
Plant moving and rearrangement expenses		(210,000)
		209,000
Net income (loss) for the year	$(36,000)	$970,000

	1970	1969
Earnings (loss) per share:		
Before extraordinary items	$(.07)	$1.57
Extraordinary items		.43
Earnings (loss) for year	$(.07)	$2.00

Consolidated Statement of Retained Earnings

Year ended December 31, 1970

(with comparative figures for the year, 1969)

	1970	1969
Balance, beginning of year	$12,111,000	$11,431,000
Net income (loss) for the year	(36,000)	970,000
	12,075,000	12,401,000
Dividends paid during the year	290,000	290,000
Balance, end of year	$11,785,000	$12,111,000

WESTEEL-ROSCO LIMITED

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1970
(with comparative figures for the year 1969)

	1970	1969
SOURCE OF FUNDS:		
Net income (loss) for the year	$(36,000)	$970,000
Add (deduct):		
Depreciation	842,000	892,000
Deferred income taxes	(129,000)	(265,000)
Funds from operations	677,000	1,597,000
Net book value of fixed asset disposals	144,000	1,229,000
Decrease in special refundable tax		69,000
	821,000	2,895,000
APPLICATION OF FUNDS:		
Purchase of fixed assets	702,000	1,330,000
Increase in mortgages receivable	29,000	478,000
Dividends paid	290,000	290,000
Reduction in long-term debt	196,000	209,000
	1,217,000	2,307,000
Increase (decrease) in working capital	$ (396,000)	$ 588,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. **Security for bank borrowings:**
   Accounts receivable and inventories are pledged as security against bank borrowings.

2. **Long-term debt:**

	1970	1969
Debenture, payable in equal annual instalments of principal to 1975 with interest at 7.25% (against which certain fixed assets are pledged)	$ 667,000	$ 833,000
7.25% bank term loan, payable in 1972 (against which accounts receivable and inventories are pledged)	4,000,000	4,000,000
Other	31,000	61,000
Total long-term debt (net of current instalments)	$ 4,698,000	$ 4,894,000

Debt maturities during the next five years are as follows: 1971 – $196,000; 1972 – $4,198,000; 1973 through 1975 – $167,000 annually.

The agreement with the holders of the 7.25% debenture requires the company to maintain minimum working capital and restricts cash dividends to the sum of (a) 70% of the amount by which consolidated earnings from January 1, 1967 exceed repayments on such debenture, plus (b) $1,000,000. At December 31, 1970 $770,000 of retained earnings was not so restricted.

3. **Share options outstanding:**
   At December 31, 1970, 400 common shares were reserved for issuance under an option granted to a director in 1962 at a price of $10.25 per share, which option expires in 1972.

4. **Remuneration of directors and officers**

	1970	1969
Remuneration of directors, as directors	$ 14,250	$ 15,000
Remuneration of officers, as officers	285,040	262,512
Number of directors	10	10
Number of officers	10	10
Number of officers who are directors	2	3

Clarkson, Gordon & Co.

Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
Westeel-Rosco Limited:

We have examined the consolidated balance sheet of Westeel-Rosco Limited as at December 31, 1970 and the consolidated statements of income, retained earnings, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co

Toronto, Canada,
March 17, 1971.

Chartered Accountants

WESTEEL-ROSCO LIMITED

TEN YEAR COMPARISON

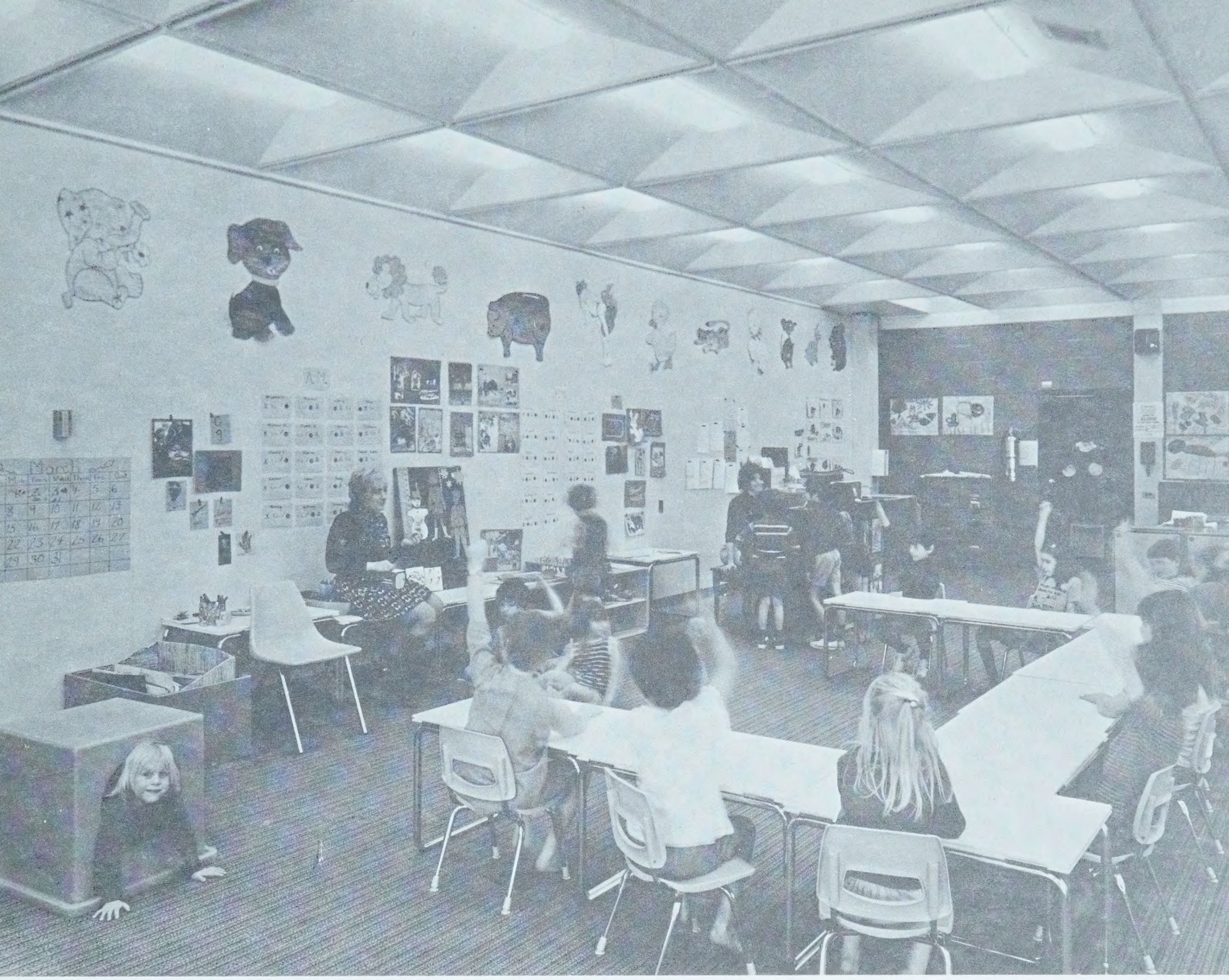
(IN THOUSANDS OF DOLLARS)

		1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
Sales	$	69,958	72,469	68,989	60,256	66,866	59,180	26,473	25,760	26,459	22,768
Operating profit (loss)	$	(83)	1,621	639	1,449	3,028	1,957	525	(150)	533	83
% operating profit (loss) to sales		(.12%)	2.24%	.93%	2.40%	4.53%	3,31%	1.98%	(.58%)	2.01%	.36%
Income taxes (recoverable)	$	(47)	860	372	747	1,529	917	135	–	230	70
Net income (loss)	$	(36)	970	310	751	1,505	1,202	242	(178)	303	13
Common shares outstanding		484,204	484,204	484,204	484,204	482,204	480,404	476,504	472,604	472,604	472,604
Earnings (loss) per common share	$	(.07)	2.00	.64	1.55	3.12	2.50	.51	(.38)	.64	.03
Dividends per common share	$	.60	.60	.60	.60	.60	.15	.15	.15	.15	.35
Working Capital	$	10,324	10,720	10,132	11,380	7,182	7,103	5,405	6,489	8,168	7,708
Working capital ratio		1.48	1.48	1.46	1.79	1.36	1.39	1.33	2.33	3.50	5.11
Capital expenditures	$	702	1,330	2,028	652	1,124	761	333	1.678	510	325
Depreciation	$	842	892	943	789	799	796	545	575	498	526
Gross assets	$	40,481	41,855	41,440	33,803	35,618	33,206	29,679	17,219	16,046	14,626
Book value per common share	$	28.61	29.28	27.88	27.84	26.96	24.49	22.23	21.97	22.50	22.00
Earnings (loss) as percentage of shareholders' equity – Jan. 1		(.25%)	7.19%	2.30%	5.78%	12.79%	11.34%	2.33%	(1.7%)	2.92%	.01%

Ontario Place, a spectacular assembly of man-made islands and award-winning structures which rise from Lake Ontario off the Toronto CNE waterfront, is due to open in May, 1971.

Ontario Place consists of four land-fill islands, canals, lagoons and a marina to hold 300 craft. The principal buildings include five pavilions, ''pods'' suspended from tubular columns which rise 105 feet above the water. Each of the five ''pods'' has three floors providing 8,000 square feet at each level. It is planned that four of the pods will present Ontario-oriented multi-media exhibits under the themes: Genesis, Explosions, Ontario Style and Challenges. The fifth pod will accomodate a restaurant and banquet facilities.

Ontario Place is under the supervision of the Special Projects and Planning Branch of the Ontario Government's Department of Trade and Development. Others principally concerned are the contract managers, Secant Construction (Central) Ltd.; architect, Craig, Zeilder and Strong; mechanical engineers, W. Hardy Craig and Associates; structural engineers, Gordon Dowdell Associates; landscape architects, Hough, Stansbury Associates. Westeel-Rosco Limited fabricated and erected the Hi-bond steel floor deck for all pods and bridges as well as the aluminum sheet wall cladding which enhances the the exterior of three of the pods.



These happy children are learning their 3R's in the bright, colourful and spacious surroundings of one of twenty-five SEF (Study of Educational Facilities) schools planned for Metropolitan Toronto. Seventeen of these schools are now completed. Westeel-Rosco, through its Flexcon Division, is subcontractor for interior space division in this program and has responsibility for operable, demountable and interior masonry walls.

Flexcon is also exclusive supplier for interior space division to EBS (Educational Building Systems) which has a number of schools under construction throughout Canada. Westeel-Rosco also supplies roof and floor deck, toilet partitions and lockers to EBS.

In Boston, Flexcon is participating in the construction of two prototype schools based on the SEF system. It is planned to build twenty-five additional schools if the SEF building systems "prototypes" prove satisfactory.

It is hoped that 1971 will see the completion of the first SEF system school in Vancouver, B.C. and again the Flexcon Division of Westeel-Rosco Limited will be a major supplier with particular emphasis on interior space division.

WESTEEL-ROSCO LIMITED

ANNUAL REPORT 1970

Printed in Canada

WESTEEL-ROSCO LIMITED

AR42

July 29, 1970

INTERIM REPORT TO SHAREHOLDERS

Construction shut-downs in British Columbia, Saskatchewan and, for a period, in Montreal, together with less buoyant economic conditions, have combined to increase the net operating loss for the first six months. Results in the Prairie area, in particular, have suffered from the decline in expenditures in the agricultural and construction segments. Despite these difficulties, the months of May and June recorded some improvement over the corresponding periods in 1969.

The operating results for the first two quarters are:

	1970 ($000 omitted)		1969	
	Sales	Net Profit (Loss)	Sales	Net Profit (Loss)
First Quarter				
Operations	$12,215	$ (494)	$12,815	$ (404)
Extraordinary Items		–		89
	12,215	(494)	12,815	(315)
Second Quarter				
Operations	16,976	144	17,393	200
Six Months	$29,191	$ (350)	$30,208	$ (115)

The outlook for the last half of 1970 is for a considerable improvement in profits but in view of the first half, it is unlikely that the results for the full year will exceed 1969.

R.M. Calhoun,
President.

INTERIM REPORT
TO SHAREHOLDERS

JUNE 30, 1970

WESTEEL-ROSCO LIMITED

WESTEEL-ROSCO LIMITED
INTERIM REPORT TO SHAREHOLDERS

COMPARATIVE CONSOLIDATED INCOME STATEMENT *
FOR SIX MONTHS ENDED JUNE 30, 1970 AND 1969

	SIX MONTHS ENDED	
	JUNE 30, 1970	JUNE 30, 1969
Sales	$29,191,000	$30,208,000
Cost of Sales, Selling, Administrative and Financial Expenses before the following:	29,244,000	29,904,000
Depreciation	532,000	537,000
Interest on long term debt	183,000	191,000
Provision for taxes on income	(418,000)	(220,000)
	$29,541,000	$30,412,000
Net Operating Loss	(350,000)	(204,000)
Extraordinary Items (net of the related income taxes):		
Profit on Sale of fixed assets		89,000
Net Loss for Six Months	($350,000)	($115,000)
Per Share – Six Months	($.72)	($.24)
Second Quarter	$.30	$.41

COMPARATIVE CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS *
FOR SIX MONTHS ENDED JUNE 30, 1970 AND 1969

	SIX MONTHS ENDED	
	JUNE 30, 1970	JUNE 30, 1969
Source of Funds		
Net Loss	$ (350,000)	$ (115,000)
Add Charges which did not reduce Working Capital		
Depreciation	532,000	537,000
Funds from Operations	$ 182,000	$ 422,000
Decrease (increase) in mortgages receivable	(60,000)	13,000
	$ 122,000	$ 435,000
Application of Funds		
Decrease in long term debt	$ 166,000	$ 167,000
Purchase of fixed assets less proceeds on disposal	186,000	114,000
Dividends paid	145,000	145,000
	$ 497,000	$ 426,000
Increase (decrease) in consolidated Working Capital	$ (375,000)	$ 9,000

Toronto July 29, 1970 **These statements are unaudited.*